

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF SHALLOW CREEK)	
SANITATION CORP. FOR AUTHORITY TO)	
TRANSFER THE ASSETS OF SHALLOW CREEK)	
SEWER SYSTEM AND SHALLOW CREEK UTILITIES,)	
INC. FOR AUTHORITY TO ACQUIRE AND OPERATE)	CASE NO. 9363
THESE ASSETS IN JEFFERSON COUNTY, KY.:)	
FOR SHALLOW CREEK UTILITIES, INC. TO)	
BORROW THE NECESSARY FUNDS TO FINANCE)	
THE PURCHASE OF THE SEWER SYSTEM)	

O R D E R

On June 12, 1985, Shallow Creek Sanitation Corporation and Shallow Creek Utilities, Inc., filed a joint petition with the Commission for approval of the transfer of a sewer treatment plant from Shallow Creek Sanitation Corporation to Shallow Creek Utilities. The treatment plant is located in Jefferson County, Kentucky, and serves the single family subdivision known as Shallow Creek Subdivision.

In addition to the request for approval of transfer, Shallow Creek Utilities requested authority to issue indebtedness of \$50,000 in the form of a promissory note.

No one intervened in this matter nor were there any requests for a public hearing.

After a review of the record the Commission finds that the purchaser, Shallow Creek Utilities, Inc., owned by Carroll F. Cogan, is ready, willing and able to purchase the treatment facility. Further, because of extensive experience in treatment

plant operation, the proposed purchaser is fully capable of operating the treatment plant in compliance with all requirements of the Commission.

IT IS THEREFORE ORDERED that:

1. The joint application for transfer shall be approved.
2. Shallow Creek Utilities, Inc., shall maintain its books of account in accordance with the Uniform System of Accounts for sewer utilities prescribed by the Commission.
3. The utility plant acquired shall be recorded at original cost, estimated if not known, in the appropriate utility planning service accounts.
4. The requirements for accumulated depreciation and amortization shall be credited to the appropriate account for accumulated provision for depreciation and amortization.
5. The cost of any non-utility property shall be transferred to Account No. 121 - Non-Utility Property.
6. Contributions in Aid of Construction, estimated if not known, shall be credited to Account No. 271 - Contributions in Aid of Construction.
7. Any difference between the purchase price and the original cost of the utility plant and non-utility property less the amounts credited to accumulated depreciation and amortization reserves and contributions in aid of construction shall be included in Account No. 108 - Utility Plant Acquisition Adjustment.
8. In its next rate case Shallow Creek Utilities, Inc., will have the burden of proof for demonstrating why interest charges on debt that exceed those charges which would have been

necessary to finance the original cost of plant in service excluding any acquisition adjustment less accumulated depreciation and contributions in aid of construction should be allowed for rate-making purposes. It shall also have the burden of proof for demonstrating why return on equity or amortization of an acquisition adjustment that resulted from this transaction should be allowed for rate-making purposes.

9. The requested authority to issue the evidences of indebtedness of \$50,000 at the rate of 11 percent per year is approved subject to the limitations of the preceding paragraph.

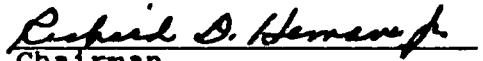
10. Shallow Creek Utilities, Inc., shall issue, file and post its adoption notice and tariff in accordance with 807 KAR 5:011, Section 11.


11. All Journal entries related to the Transfer shall be filed.

12. An Annual Report for the portion of 1986 that Shallow Creek Sanitation operated the system shall be filed.

Done at Frankfort, Kentucky, this 28th day of May, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:

Secretary


Commissioner